LABOUR

AND THE

ARBITRATION ACT.

SPEECH

BY THE

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ATTORNEY-GENERAL.

Delivered at a meeting of the Wellington Liberal and Labour Federation held in Wellington on 17th June, 1908.

Wellington:
PRINTED BY THE NEW ZEALAND TIMES COMPANY, LIMITED.
1908.

Labour and the Arbitration Act

SPEECH BY HON. DR. FINDLAY.

REPLY TO RECENT CRITICISM.

SUGGESTED AMENDMENT OF EXISTING LAWS.

(Reprinted from the "New Zealand Times," 18th June, 1908.)

An important review of the Industrial Conciliation and Arbitration Act, its history, results, and the future prospect of the measure, was given by the Hon. Dr Findlay (Attorney-General and Minister of Internal Affairs) last night before a meeting of the Wellington Liberal and Labour Federation in Godber's rooms, Cuba street. It was a wet night, but there was an audience which filled all the available space. Mr George Winder (president) was in the chair, and among those present were Sir William Steward, M.P. (Waitaki), Hon. C. M. Luke, M.L.C., and Mr W. H. P. Barber, M.P. (Newtown). The speech was followed with intense interest, and concluded amid a demonstration of cordial appreciation.

Hon. Dr. Findlay said:—

I recently delivered an address at Wanganui on "Labour and the Arbitration Act" in which I traced the origin and outcome of our wage system, and tried to show the purposes, the possibilities and the failures of our industrial Arbitration law. Owing partly to the great and pressing importance of the subject—partly because of the liberal length of the press reports throughout New Zealand —especially in the three Wellington dailies and in the "Lyttelton Times," my views have had the advantage of criticism by every prominent daily newspaper in this country. And the temper of this criticism—though often adverse—has, on the whole, been fair and unembittered by party feeling. Indeed, several of the most influential journals have shown by their tone that industrial peace, like national safety, should be lifted above the game of politics, above the play and partisanship of party conflict, to that higher level of discussion in which all sectional differences are sunk in a united effort to devise and obtain the fair trial of an improved industrial arbitration system.

THE SPEAKER'S AIM.

I am not here to-night to deliver a fighting political speech. I am not going to attack or defend any party. I am here to contribute such serious thought and information as I possess to a better understanding of the most difficult, the most vital, and the most urgent question of the day—the Labour question—and before I proceed let me earnestly impress this upon you, as intelligent men and women. No solution of any problem can be hoped for until the facts are dispassionately ascertained and considered, and until ways and means can be seen. Facts are often distasteful—they frequently shatter cherished illusions, they disappoint our hopes, they condemn many of our antagonisms and bitternesses, and, above all, they eject us from the fool's paradise of which well-meaning fanatics and sentimental day-dreamers, flattering our discontent, sometimes make us tenants. Heated language, fiery denunciations of existing evils and capitalistic classes will help us little.

GET DOWN TO FACTS.

We must get down to facts—truly diagnose complaints and their causes, decide their remedies, and then ascertain if ways and means are available. It has been said that many of the advertisements of modern patent medicines aim chiefly at persuading people they have got the disease rather than offer any reliable proof that it is curable—and many of our platform social physicians seem to follow the same practice. Heaven knows we all recognise the evils well enough. What is wanted is a true and permanent remedy, and that remedy is certainly not to be found by inflaming drafts of revolutionary rhetoric. I believe that where our deepest interests are concerned it is better to be told plain—if unpalatable—facts than be fooled by glorious lies about impossible Utopias. If to-night I submit facts and figures which disappoint the hopes of any section of the community, I claim that I am performing a useful if a thankless service. I propose to divide my address under three heads, viz.:—

—A Defence,
l—A Criticism, and
l—An amendment of our Industrial
tration Act, and under the first
to reply to the critics of my Wa-
ui speech. In my Wanganui speech
ied to establish the following pro-
ions:—

That the English wage system was
riginally non-competitive and that
ntil about the beginning of last
entury wages were determined and
egulated either by law, custom, or
he Craft and Merchant Guilds.

That such regulation gave place
nder machine industry and the doc-
rines of natural liberty to a sys-
em of competitive wages.

That this system produced the so-
alled "iron law of wages," a bare
ubsistence or sweating wage, and
vith it produced evils so widespread
nd revolting as to set agencies at
vork to check its operation and
imit this "iron law." These agen-
ies were philanthropy, public opin-
on, trade unionism, and, finally,
egislation.

That this broad movement begin-
ing with the wage regulation is
assing through the stage of free
ompetition, and in New Zealand, at
east, is setting back to wage re-
ulation again, thus illustrating in
art Sir Henry Maine's principle of
rogress—from status to contract—
nd in part a reversion from con-
ract back again to status.

That the most effective check upon
he iron law of wages yet devised
vas the legislation which we call
ur Compulsory Industrial Arbitra-
ion, and that it was this Act which
arrested and exterminated the
weating—proved to exist in New
ealand before the Act came into
orce.

RBITRATION ACT STOPPED SWEATING.

ch of all this is admitted by my
s, but some of them say that
ting in this country was not eradi-
l by the Arbitration Act but by the
ory Act, passed before it or short-
ter it. In reply, I appeal, first to
Arbitration Act itself, which open-
Court to every seven industrial
ers to secure for them, at least, a
g wage in their calling—second, t
al to the facts. At Wanganui I
ed figures taken from official re-
s and awards to establish the fol-
ng facts:—

1890 tailoresses got 15s a week.
siery workers, 9s a week.
irtmakers, 18s 6d a week.

ese were the maximum wages paid
I quoted these and other trades to
r that sweating rates existed in
I also showed that under awards
ie Arbitration Court these rates had
nearly doubled, and were 25s, 20s.
30s respectively. Now the simple
tion is, were these marked advances
t a sweating to a fair wage effected
by the Factories Acts? Plainly not, as the following facts prove:—

If you will refer to the Factories Act, in force in 1894, and the earlier Factories Act of New Zealand, you will find that they contain no provision whatever for a minimum wage. Hence an employer could, until the awards of the Arbitration Act came into force, pay a factory operative no wage at all, or as low a wage as the operative would agree to take. It was not until 1899 when "The Employment of Boys and Girls without Payment Prevention Act, 1899," was passed, that is five years after the Arbitration Act became law, that any minimum wage was fixed for factory operatives in New Zealand, and what was that minimum wage? Here was the only statutory provision until 1902:—Section 2 of the Act of 1899 provides that "Every boy or girl under 18 years of age is to be paid in no case less than 4s per week for girls, and 5s per week for boys irrespective of overtime." Until 1902 this was the only Factory Act provision for a minimum wage. Towards the end of 1901 a new Factory Act came into operation, and section 31 provided that for boys and girls under eighteen the rate of wage was to be not less than 5s per week, and thereafter an annual increase of not less than 3s weekly until twenty years of age. But on the passing of the Arbitration Act, 1894, as I have said, any seven workers in any factory could form a union, bring a dispute as to wages before the Court, and have at least a living minimum wage fixed.

Thus by recommendations, agreements, or awards under the Arbitration Act, the wages of shop tailoresses and factory tailoresses and pressers were fixed at a living rate long before the Factory Act of 1901 came into force—see Parliamentary Return H. 11 D., showing awards, etc., under the Arbitration Act from its inception. The same return also shows that in scores of trades and factories the minimum wage was fixed by awards of the Court and not by any Factory Act—before, indeed, any Factory Act provisions for minimum wages existed.

In view of all these references can it be seriously contented that sweating in this country was eradicated by the Factory Act, and not by and through the agency actual and potential of the Arbitration Act.

MR REEVES' TESTIMONY.

But I further contend that the Act was designed in part to prevent sweating and not to prevent strikes alone. I quoted from perhaps the best authority I could get, the framer of the Act himself, to support my contention. I need not do more now than give a further, and I think, conclusive proof. In giving a full account of the origin and purpose of our Arbitration Act, of which Mr Reeves was the framer, he says on 70 pages of his work on State experiments in Australa and New Zealand. "These (the critics of the Act) write of it as if its

sole function was to deal with the militant, highly organised bodies of combatants" (i.e., with strikers or those able to strike). "Far from being confined to this, much of its (i.e., the Arbitration Act's) best and most humane work is done in improving the condition of sweated workers, too poor and too weak to give battle in the ordinary fashion of industrial warfare (i.e., by strikes). It is the best hope of the woman worker for whom Trades Unionism has done so little." I repeat then, that the Act has served, and was intended to serve the double purpose of sweating and strike prevention—purposes very far indeed from being identical.

I contended that the Act had for many years prevented strikes, and that if reasonably used in the spirit intended by its framer, it would always prevent them. This contention has been adversely criticised. I am not going to repeat the proofs I gave, but submit these considerations to unbiased critics:—

(a) There were in 1900, 290,000 wage earners of all kinds in New Zealand, and the average number throughout the whole career of the Act would be over 250,000.

(b) Up to the present time there have been

EIGHTEEN STRIKES IN THIRTEEN YEARS.

Eighteen strikes have taken place in New Zealand, all really small and short-lived, and only twelve of these have been illegal, since in six the Act had no application. In these six there was no union award or binding agreement. In these illegal strikes, 740 men all told engaged, that is, less than one-third per cent. of the above average of total wage-earners in this country, and if those engaged in strikes (legal and illegal), be included, not one half per cent of these 250,000 workers.

The days of idleness of workers due to these strikes were very few. In some cases the strikes only a day or two.

AN INTERESTING COMPARISON.

Now compare these figures with our Motherland's experience. From 1891 to 1900, that is in ten years, there were 7931 labour conflicts in Great Britain, involving 2,732,169 workers. It is estimated that the total wage-earners of Great Britain of all classes was in 1906, 14,640,000, and, during the decade in question would be about 12,700,000. Thus, during this decade, over 20 per cent of the British workers were at some time or other directly involved in a labour conflict, as compared with less than one-half per cent. in New Zealand during thirteen years.

The total number of days British workmen were idle in these ten years owing to strikes (i.e., multiplying the days idle by the number of men idle), was 106,191,528, making an average idleness of about 39 days per man.

STORT-LIVED TIFFS.

In New Zealand I have no definite figures of the time of idleness, but it has not been more than a few days per man in thirteen years. No wonder English reviewers of our experience tell us that our strikes have been but short-lived tiffs, as compared with the long and desperate industrial struggles of Great Britain, where compulsory Arbitration has not yet arrived. But surely, most of us in connection with the work of our Arbitration Court fall into a very common error—that of measuring the importance of incidents as well as of individuals by the extent of their noisy obtrusion upon public notice — treating them as typical (which they are not), rather than freaks (which they are). It is a sample of this error which seems to induce some people, even editors (if one may include them without profanity), to treat the Act as a disabled and useless machine because a few short-lived strikes have taken place, and a few very noisy gentlemen have declared they will have none of it. But let us be just before we are censorious. Follow the career of the Court and the Act since their inception —follow the Court's work to-day with a fair mind, and you will admit that it has done, and is doing splendid work, discharging one of the most difficult tasks with fairness, ability and patience.

I claim that the Act has done immense service in this country in the cause both of industrial peace and fair wages. That it is capable of improvement (as I hope to show), should not belittle that service.

THE COST OF LIVING.

I contended that the Act had not appreciably increased the workers' cost of living. This view has been considerably canvassed. It is very important to decide whether the operation of the Act is merely to increase the nominal wage, leaving the real wage stationary—or, in other words, to take away the benefits it confers as higher wages by causing a corresponding increase of prices. If this is truly its operation, I admit that the Act as it stands, is of no value to workers as an instrument for getting for them a better real wage. Hence it is essential to decide this question. Now, first let me emphasise an important point. My proposition was that the Act had not caused an increase of the cost of living of the workers—that is of the wage-earning class which it was passed to protect or deal with. I am not concerned just now with the effect the Act had upon the cost of living of the wealthier classes. It is quite demonstrable, I think, that it may—and probably does—affect the cost of living of the wealthier sections of the community, while it does not appreciably affect the cost of living of the worker. This may be recognised if we remember that a man with a wife and a family on 50s a week must spend it almost wholly on the necessaries of life, while a man with £50 per week spends only a very small proportion of his income upon necessaries. And if necessaries escape the influence of the wage increases of the Arbitration Court, and other commodities do not, my distinction would be largely established.

WAGES AND PRICES.

Now let me point out that economists have never established any law of connection between increases or decreases in wages and the workers' cost of living. There is an immense amount of economic writing on this topic, but I will cite only one authority. An inquiry was made by the British Board of Trade into working class rents, housing and retail prices together with the standard rates of wages prevailing in towns of the United Kingdom. Their report is published in the journal of the Royal Statistical Society for March 1908 and it will be seen that the report admits after the fullest investigation "that no general law of connection has been established between variations in wages and the cost of living." Of course I do not deny that if wages are increased all round, this must have an effect on prices, but it by no means follows that all prices will rise.

Now at Wanganui I quoted a report from the Registrar-General which showed that in 12 years since the Act passed the cost of the workers' living based upon the chief articles of diet had increased 18.6 while the general increase in wages effected by the Act during the same period was 17.9. This report did not include rent or clothing and it is admitted that if these items had been included the increase in the cost of living would have been greater. Probably the increase has not been less throughout New Zealand than 20 per cent. How much of this increase is due to the Act? Now you cannot answer this question off-hand. A reliable answer can be obtained only by examining the items of expenditure which make up a worker's cost of living and ascertaining how much, if any, the Arbitration Act has affected the prices of these items. Let us take a worker on 50s. per week. Here is a statement regarding the weekly cost of living computed from actual expenditure for a family of father and mother with three children whose ages were 3, 5, and 7 years respectively living in a four roomed house in Christchurch. This statement was given before the Arbitration Court about 6 months ago by a worker's wife whose budget seems very carefully compiled.

	s	d
Groceries, including kerosene, butter and eggs ...	8	4
Bread	2	6
Meat	5	0
Fish	1	0
Coal and Firewood	2	8
Milk	2	9
Vegetables and fruit ...	4	6
Newspaper		6
Rent	11	0
Lodge and other society ...	2	6
Clothes and boots	10	0
	£2	9 9

Probably other wives would vary these items a little, but with 50s to keep 2 adults and 3 children, there is little if anything for any luxuries and food rent and clothing must cost the family about 5s 6d of the worker's wages. The lower the wage as I have said, the greater proportion of it must be spent on the necessaries of life. Now let us look through these items, and ask how much the price of them has been increased owing to the Arbitration Act.

WHY LIVING COSTS MORE.

Begin with food, It may be said to consist of variously—beef, milk, flour, potatoes, sugar, mutton, bread, oatmeal, eggs, pork, butter, rice, tea. The Registrar-General found that, taking all these necessaries, there was a rise in 12 years of 18.6 per cent. What has caused this rise? There have been as there always are with respect to the price of necessaries several causes. Wheat, oats, milk, potates, meat—remember how seasons good and bad—drought—shortages due to market flotations and other causes affect these commodities—remember also that the wages of farm labour have not and do not vary greatly from decade to decade, and one must surely admit that to unhesitatingly conclude that the increased price of these commodities is due to wages having been raised in a number of industries by the Arbitration Court is somewhat unreasonable. But there is a further consideration and that is the prices our export of food stuffs have been obtaining in Britain and foreign markets. These prices are plainly not effected by our cost of production—by the wages we are paying here, but by the competition and by supply and demand in the world's markets.

FOREIGN DEMAND AND LOCAL PRICES.

If the wages in New Zealand had been doubled we should have got no more for the foodstuffs we exported, and if these wages had been reduced 50 per cent. we should have got no less, and prices here would have been about the same. The foreign markets for our foodstuffs practically control on the average the local prices. The price one pays for the best butter in New Zealand is, in the long run, determined by what its prevailing price is in London. Producers are not likely to take less here if they can get more in Great Britain. Now, I am not going through all the above items to prove it. The Registrar-General has furnished me with a mass of figures in support of the view I am advancing, but they are too long for statement here: I assert that there is not a single item in the above list whereon any material increase in price is paid by the workers simply on account of an increase of wages under the Arbitration Act. Next with regard to the second important item—rent.

LAND VALUES AND RENTS.

I repeat my contention at Wanganui that the increase in rent is mainly due to increase in unimproved value of City lands. The statement above given fixes

rent at 11s per week, but that is in Christchurch where rents are lower than in Wellington. I instanced Wellington and said that the unimproved value of the lands within the City boundaries had increased about 200 per cent. Apply this to a piece of land necessary for a worker's home. Suppose it cost £80 in 1890, it would with this increase cost £240 in 1907. I find that about £240 is about the average cost price of the land upon which a 4 or 5 roomed cottage can be built in Wellington now. Rent must be paid on this increase, and converted at 5 per cent it is equal to over 3s per week.

THE COST OF BUILDING.

But it is said the cost of building has increased. Now refer to pages 12 and 13 of the Parliamentary return above referred to and it will be found that the Arbitration Act has increased carpenters' wages very little—less perhaps than those in most other trades. On page 12 you will find the award rates with regard to builders and general labourers. Compare these with the rates prevailing when the Act came into force and I confidently assert that the increase in rent of a worker's cottage due to increases in wages paid to all those employed in building it is not 4d per week.

It is true building materials are dearer, but investigate the causes and it will be found that they are many, e.g. greater demands, more combination and less cutting competition among the suppliers of timber and other building material; increased cost of obtaining timber owing to the forests becoming more and more remote; increased royalties asked by forest owners —and to a small extent increased wages. But express in the form of increased rent of a worker's home, the increased cost of it due to these increased wages of every class, and you will find that such increased rent is measured by a few pence.

WHAT CLOTHING COSTS.

Next with regard to the clothing a working man and his family require. Messrs J. Smith and Sons and Messrs Veitch and Allan, of this city, both firms being highly qualified to give an opinion, have very kindly furnished me with a carefully prepared statement of items and prices of all clothing and boots required for a worker of say 50s a week, his wife and three or four children. These statements are here and are available to the public. Messrs Smith and Sons fix the total cost of clothing without boots at £17 7s 2d per annum, and think that the difference in prices (allowing for value) between 1894 and 1908 is about £4. Messrs Veitch and Allan show that boots and slippers cost no more now than in 1894 since improved machinery has counterbalanced any advance in the price of material and labour. As regards the annual cost of clothing of a worker and his family Messrs Veitch and Allan giving full details fix it at £22 17s 8d now, as against £18 16s 7d in 1894. Another firm, Messrs Warnock and Adkin, also well qualified to express an opinion, inform me that there is not much difference between the price of ready-made goods now and 14 years ago, but perhaps it would average a little more now. All classes are, they say, wearing a better class of goods than formerly. This firm has also supplied me with an interesting table of a married worker's clothing expenses. How much of the differences of price between 1894 and 1908 is due to increased wages and how much to other causes has not been and probably could not be stated. But both firms agree in fixing the whole increase at something over £4 per annum, equal to about 3 per cent. of the workers' wages, a little over 6d in the £ even if the whole were due to increased wages, which it certainly is not if one remembers increased shop rents for example. I have thus dealt with the principal items of outlay by a worker. If you will peruse the list of other items you will see that they have been practically unaffected in price by the Act.

CONCLUSION FROM THE FACTS.

My conclusion, therefore, is that while the workers' cost of living his increased probably 20 per cent. since the Act came into force, this increase has been only in very small part due to the operations of the Arbitration Act, or in other words, is not appreciably due to the all round increase in wages, 17.9 per cent., which the Court has given in the trades it has dealt with.

But I also said at Wanganui that employers had transferred to the community, in the shape of increased prices, the extra wages the Court had awarded, and I have been told that my two conclusions are inconsistent, and that if all the extra wages have been so transferred in the shape of prices to the consumers the particular consumers affected must pay for the all round 17.9 per cent. increase in wages given by the Court. I admit this, but it does not contradict my proposition that the increase has not materially affected the workers' cost of living, because

(1) The workers benefited by the Act are but a class, and the burden of their increased wages does not return in the shape of prices upon themselves alone, but is distributed over the whole body of the consumers, of whom they may be but a small section, small in proportionate numbers and smaller still in the extent of their consumption—e.g., in the case of luxuries.

(2) Of the 80 trades referred to in the Parliamentary Return above quoted the great majority are not engaged in any way in supplying any of the articles upon which a worker's wage is almost invariably spent, and hence the price of these articles cannot be appreciably affected even indirectly by increases of wages in the majority of these trades.

(3) The prices of foodstuffs in N.Z. have not varied appreciably owing to any Arbitration Court increase of

wages, and consequently their increased prices are not due to any transfer of increased wages to consumers.

I repeat, therefore, my statement at Wanganui, that even if no increase in wages had taken place in New Zealand during the last 14 years, the workers' cost of living would still have greatly increased, owing to the high prices for our foodstuffs in foreign markets, and the great increase in the unimproved value of land and the cost of building material. I maintain, therefore, that the Arbitration Court has not, by an alleged increasing of the cost of living, destroyed the benefit of the all round increase in its rates of wages.

THE ACT CRITICISED.

I have now dealt with the main lines of criticism of my Wanganui speech, and I proceed to offer a few words of criticism of the Act, with a view to suggesting and justifying certain proposed amendments. First, I tried to show, in my former address, that the Act originally aimed at two purposes:

(1) The fixing of a minimum living wage —an anti-sweating wage.

(2) Strike prevention.

A LEVELLING DOWN TENDENCY.

It was not the intention of the man who framed, or of the Parliament which passed the Act, that it should be a standard wage regulator. It was anticipated that although a minimum wage was fixed by an award, the old contractual basis of service would continue, and that the Court would be rarely invoked, and then only to settle some outstanding point of difference which stood in the way of the parties coming to an agreement. I showed that from the use made of the Act, and for the reasons I gave, the Court has steadily become a State regulator of fair wages in each industry, and although a wage fixed by the Court is merely the least an employer is allowed to pay, it is in general practice, the highest the employer will pay. The result of this has been a marked tendency to a uniform or dead level wage in each trade, for all workers, good, bad and indifferent. I need not dwell upon the evils of such a tendency. It has tended to deprive superior care, skill, and industry of the reward and encouragement essential to their exercise, and the dead level of the wage tends to impress itself upon the energy of the worker. This is the evil the Prime Minister referred to in his speech at Onehunga when he declared that what the Act wanted was some provision, some machinery, by means of which, while preserving to the workers all the present benefits of the measure, a proper reward should be provided as an incentive to superior care, skill and industry. I shall return to a discussion of this suggestion later.

CONCILIATION BOARDS HAVE FAILED.

The second point of criticism I offer relates to the Conciliation Boards. It would be idle to deny that, for reasons it is unnecessary to discuss just now, they have entirely failed to achieve the results Mr Reeves anticipated. He thought that through the agency of the Boards 90 per cent. of our industrial disputes would be settled—the assumption being that the intervention of impartial conciliation would enable the two parties to come to terms upon the points finally in dispute between them. When the parties gave up trying to settle these disputes—gave up, indeed, having any genuine disputes—but worked the Act for the sole purpose of wage and labour regulation, Conciliation really had no place, and the Boards as they now stand have become a kind of fifth wheel in the coach, of which they were intended to be the most important part—an agent wrested from its true purpose of conciliation into one of expense, friction and delay. Thus, in the Bill of last year, they were to be abolished, and a new system of Industrial Councils established.

EFFECTIVE FINES NOT IMPRISONMENT.

The third point of criticism is that as it at present stands the Act makes no satisfactory provision for the enforcement of fines. It is true that the Court of Appeal has decided that by a process of attachment strikers may be imprisoned for non-payment of fines imposed on them, but this remedy is not provided by the Act, and springs from an old principle of our law. Even this method of enforcing imprisonment is exceedingly clumsy and circuitous, but for reasons already given I am opposed to imprisonment for taking part in a strike. In the absence of imprisonment and as the Act stands, it contains no effective method of enforcing fines, as experience has already shown, and some amendment in the direction of an effective method is required.

VEXATIOUS VICTIMISATION.

Again the provision in the Act with regard to what is called victimising, although so far it has not permitted any miscarriage of justice, seems to me to require some amendment. This the Prime Minister has already foreshadowed. The provision, section 100 of the Act of 1905 runs:—"Every employer who dismisses from his employment any worker by reason merely of the fact that the worker is a member of an industrial union, or who is conclusively proved to have dismissed such worker merely because he is entitled to the benefit of an award, order or agreement, shall be deemed to have committed a breach of the award, order or agreement, and shall be liable accordingly" It will be observed that the word "merely" strictly limits the application of the section to cases where the whole and sole reason for dismissal was that stated. Hence in cases where the employer's dominant motive for dismissal was the worker's proper use of the Act or an Award, the employer would incur no penalty if he showed that in addition to his dominant motive he had some minor reasons. This should not be permitted. The Court

should be empowered to decide what the dominant motive was, and fine accordingly.

EXPEDITIOUS HEARINGS ESSENTIAL.

Lastly, the Act has in practice, and owing to no fault of the Court, been unable to secure that expedition of its operation which, in heated differences between employers and employees, is so desirable. Expedition is here only secondary in importance to the competence and impartiality of the tribunal, and to any amendment of the Act this fact must be applied as a cardinal test. Time presses me, and I cannot delay to discuss and criticise minor failings, for I desire to make the most important part of this address the third and last part.

CAN WAGES BE INCREASED?

Before I proceed to outline amendments let me remind you by a few facts and figures of the limits which circumscribe the sphere within which Industrial Arbitration, however perfect, can benefit the workers by increased wages.

No Arbitration Act can create a Fortunatus' purse out of which the rewards of labour can be indefinitely increased. No arbitration Act can increase the stock of wealth out of which increased wages may be paid. If then it can be shown that our present national industrial income is such as makes impossible any marked improvement in the remuneration of the wage-earners, we must first seek some means of increasing our production before we set ourselves to increase our distribution of wealth. This increased production can be effected only by an increased efficiency on the part both of the entrepreneur and the employee. To this topic I will return again. Meanwhile let me give you a few figures to show the means available in New Zealand to improve the workers' lot, and the limits of this improvement. Here is a return prepared by the Registrar-General, which is of great interest, and one to which I shall refer frequently in this part of my address:—

ESTIMATED WAGE-EARNINGS OF THE PEOPLE.

Numbers of persons given as shown by results of Census taken in April, 1906.

MALES.

Class.	Occupations.	Number of Wage-earners 1906.	Average Annual Earnings	Aggregate Earnings 1906.
			£	£
I	Professional	12,221	144·8	1,769 600
II	Domestic	6 701	79 3	531 400
III	Commercial	29,003	115 9	3,361,400
IV	Transport .. .	24 ·24	108·0	2.616,200
V	Industri l	85,290	94·1	8,025,500
VI	Agricultural pastoral mineral, and other primary producers	63,624	73·3	4 663 600
VII	Indefinite	6,020	95·0	571,900
		227,083	94·8	21 539,900

FEMALES.

			£	£
I	Professional	8,008	67·2	538.100
II	Domestic	27,696	37·3	1 029.300
III	Commercial	6,424	37·9	243 500
IV	Transport	731	59·8	43.700
V	Industrial	15,3.6	40·1	614,200
VI	Agricultural pastoral mineral, and other prio ary producers	1,992	22 4	43 300
VII	Indefinite	3,182	50.0	159,100
		63,189	42·3	2,671,200

TOTALS.

	£
Males ...	21,5 9 900
Females ...	2,671,200
	£24,211 100

E. J. VON DADELSZEN,
Registrar General.

Registrar-General's Office,
Wellington.

From this return it will be seen that there are 290,272 wage-earners of all kinds in this country, and this return shows their average wages—wages which in the majority of cases might well stand an increment. Suppose, then, a benevolent Court decreed that all wage-earners should have a shilling a day more—not a very magnificent increase—it would require an annual sum of no less than £4,528,243, and if the Court was in a still more kindly humour and gave the wage-earners 2s a day more, it would require only £9,056,486 per annum.

SOME SURPRISING FIGURES.

But it may be said that these are idle calculations, since the great body of the wage-earners are receiving a wage which justifies no increase. Unfortunately, no. Would it were so! Peruse and consider the return I have read and the average wages it discloses. But if you do not like averages, let me give you this surprising information. In this country all wage-earners whose income exceeds £300 a year have to furnish returns of their income to the Commissioner, and pay tax on the excess. I will produce an authoritative return shortly on this subject, but meanwhile let me tell you that of the 290,272 wage-earners in New Zealand, high or low, including the highest paid managers and officials outside the Civil Service, only 1835 receive in salary over £300 a year, while in the Civil Service (including, for the purpose, school teachers), 643 get more than this £6 a week.

In private employ, then, out of the hundreds of thousands engaged, 1835 wage-earners only get more than the sum of £300 a year. I do not overlook the fact that some deductions are allowed in the income assessment for life insurance premiums, but these inappreciably affect my figures. I have had other returns prepared showing what wage the vast majority of our workers receive, not on an average, but individually; and without swamping my address just now with figures I am in a position to

say that it is lower, I am sure, than what most reasonable and sympathetic investigators would like to see. But sympathy and well-wishing are of little use if met by stern facts which show that to increase the wage-earners' income but 1s a day involves a payment of over 4½ million sterling every year.

A PERNICIOUS FALLACY.

This illustrates the apt-to-be forgotten fact that to confer any widespread benefit upon the workers requires a substantial increase of our national income. Last year we raised the wages of the police force and prison warders by 6d a day; and this cost this young country £8170 per annum. I wish to impress these facts upon those who hazily fancy that somewhere is stored abundant wealth which, upon a just and proper distribution, is sufficient to place everybody in affluence. This is a pernicious fallacy.

THE EMPLOYERS' SIDE.

But perhaps it is supposed the profits made by the employers of our industrial classes are such as should yield substantial increases in wages. Let us see. Here is the return I promised, prepared for me by the Commissioner of Taxes:

Wellington,
June 11th, 1908.

Memorandum for
The Hon. Attorney-General,
Wellington.

In reply to inquiry I append the information desired:—

1. Total number of Income Taxpayers	10,420
2. Amount of net income assessed for tax before deducting exemptions ...	£10,105,573
3. Number of wage and salary earners who pay tax	2463
4. Number of Civil Servants who pay tax	492
Number of teachers who pay tax	156
5. Number in private employ (including those employed by local authorities, etc.)	1835
6. Number of taxpayers who are traders, manufacturers, or carrying on any business:—Persons and firms 4827, non-resident traders 174, companies 884	5885
7. Amount of net income of such traders, manufacturers, etc:—Firms and persons £4,052,553, non-resident traders £128,126, companies £3,594,900 ...	£7,775,579

It should be noted that in the great majority of cases of business men, firms and companies the net income assessed for taxation is necessarily greater than would be shown by the taxpayers' balance-sheets. This is the result of numerous items debited to Profit and Loss not being deductible for income-tax purposes, and consequently added by the Department, in assessing, to the balance shown by taxpayers' accounts.

I attach a schedule summarising the figures given in this memorandum in a form which may be more convenient for reference:—

1907-8.

Income-tax Payers.

Salaried Officers:—		
Civil Servants	492	
Teachers	156	
Others	1835	
		2483
Traders, Manufacturers and Business Men:—		
Firms and persons	4827	
Non-resident traders	174	
Companies	884	
		5885
Professional and unspecified ...		2052
Total		10,420

1907-8.

Net income assesed for tax before deducting exceptions.

Traders, manufacturers, and business men	£7,775,579
Others	£2,329,994
Total	£10,105,573

P. HEYES,
Commissioner of Taxes.

VERY FEW MAKING MONEY

Now, let it be remembered that every person or firm, who or which in any trade, calling or business (except farming land), makes more profit per annum than £300, has to pay income taxes on the excess, and that every company has to pay on all its profits without deduction, and we find that of all the shopkeepers, traders, manufacturers, factory owners, or other business men or firms, only 4827 in New Zealand (and absentees) make over £300 a year. Those who make £300 a year or less, are in the vast majority of cases getting no more than reasonable, or less than reasonable, wages of management, and hence these can scarcely be said to be getting more than a modest wage. One hundred and seventy-four non-resident traders were also assessed.

We also find that only 884 companies out of 1583 made any profit at all. I am excluding land companies.

NOT ALL PROFIT ANYHOW.

Now, the profits earned by this fortunate 5885, in excess of the exemption where allowed is £7,775,579 per annum. But let no one fancy that these profits are, from a national point of view, a final balance of profits over all losses in industrial enterprises. If we are considering how the whole general body of workers can be better paid out of profits, we must investigate the profits of all the industrial enterprise in which

the general body of wage-earners are employed. But the £7,775,579 of profits I have referred to is not a national net balance. In every year in this country, as in every other country, some industrial enterprises employing labour are producing no profits at all but are carried on at a loss. I do not say they are carried on year in and year out at a loss, but in any given year the totals of that occasional loss which every great or considerable industrial or commercial enterprise has to undergo must be very great. Only bankers and business men, or better still, the Commissioner of Taxes, could even form a rough approximation of what this loss on the year's balance-sheets amounts to, taking every business concern of every kind (except farming) all over New Zealand. I am unable to name any definite sum, but the Commissioner of Taxes, on the fullest consideration thinks it amounts to a total which is equivalent to 25 per cent of the £7,775,579 assessed as profits by the Income Tax Commissioner, that is, to nearly £2,000,000 a year.

But before we can estimate the net amount of profits made in all businesses and available as a fund to increase wages, we must deduct these great annual losses—and so reduced we would probably find that the whole sum if seized as available for distribution among the workers employed in business in increased wages, would not yield a rise of very much per day.

But there is still another important consideration regarding these profits, and it is this: If a man begins business, and puts £10,000 into it, which is lying invested at interest on gilt-edged securities, and yielding him, without any care or effort at all, £400 a year, he expects, and rightly expects, to get out of his business with all its risks, fluctuations and anxieties, sufficient income to provide interest proper on his invested capital and a reasonable amount of profit in addition.

Put another way. If the workers were investigating the amount of profits made by all employers with a view to taking a new share of these profits for increasing wages, they would recognise that before the net amount of profits was determined, interest at the current rate should first be deducted for the capital invested, and used in the business by the employer. Now with this made clear, let us turn again to the £7,775,579 of profits above referred to.

In arriving at this sum, no deductions are allowed by the Income Tax assessment for the capital of the trader, firm, or company employed in the business, unless it be invested in the business land and buildings, and then a deduction for the rent is allowed, and if it is lent out on mortgage ,the interest is not assessed as profits. It is true a deduction is allowed for interest on borrowed capital so employed in the business, but not for the capital of the trader or company, himself or itself.

Now, what capital upon which no interest is deducted for income tax purposes is invested to produce this £7,775,579? I have not the definite amount, but such figures as I have will help you. I cannot give the capital so invested by private persons and firms who represent nearly four-fifths of all the businesses upon whose profits income tax is paid. I have, however, some figures with regard to companies. The following is a return showing the paid-up capital in each district. [I was unable to get the Auckland figures as to the paid up capital in time for this address, and so had to rely upon an average. I was, moreover, unable to get the Westland return.]

RETURN OF PUBLIC COMPANIES.

(Not including British Foreign, or Land carrying on business in New Zealand.)

District.	No.	Nominal Capital.	Capital Paid Up.		
		£	£	s.	d.
Auckland ...	305	10,669 030	*6,402.000	0	0
Otago	271	10 553 419	8 .3 .970	0	0
Wellington ...	242	7,196,146	3,160,897	0	0
Christchurch ...	151	5 146 71 ·	2,867 841	5	8
New Plymouth	70	593,325	237 187	0	
Invercargill ...	60	492 572	307 494	0	
Hawke's Bay ...	37	856 000	3 0.473	0	0
Nelson	28	420.950	169 024	0	0
Poverty Bay ...	13	273,800	102,69	18	7
Marlborough ...	12	64,500	12.954	0	0
Westland ...	Return not yet to hand.				
Totals	1189	36,263,502	22.149,510	4	5

*(Fixed on Average).

OF ALL PRIVATE COMPANIES

Doing business in New Zealand:

Number. 394.

Nominal Capital. £3,807,937.

I have been unable to get the paid-up capital of private companies. It is, no doubt, very much nearer the nominal capital. But even if the proportions were the same paid-up capital would amount to £2,327,083. That is, a total capital invested of £24,476,593 by companies to earn profits in New Zealand. And since any company that makes any profit is assessed on it the profits stated in the foregoing return are all the profits made by any of these companies in N.Z. But such companies as are assessed, are assessed on only £3,594,900 profits, while firms and persons are assessed on £4,052,553 profits, about 14 per cent. more, so that there is no doubt that to earn this £4,052,553, the capital invested by the firms and persons, must be enormous.

LARGE INVESTMENTS AND SMALL ACTUAL PROFITS.

From all these figures and others in the Commissioner's possession, he is of opinion that at least £40,000,000 sterling is invested to produce the £7,775,579 in respect of which invested capital no deductions are made in income tax returns. This sum at 5 per cent. is £2,000,000 a year. Hence a reduction for

losses I have mentioned, and for interest on this invested capital, would reduce these assessed profits to some £3,700,000, which would give all persons, firms, and companies, great and small, an average annual profit over the exemption where allowed of about £630.

Now, I have gone into these figures to give the workers some idea—it may be only a very rough idea—of what amount of profits fairly and properly so called could under any circumstances, be made available for distribution as increased wages.

We have seen that income tax is assessed on £7,775,579. I have pointed out that for such a purpose as that last mentioned there must first be deducted the periodic annual losses in those business establishments employing labour. This would reduce the above sum greatly. But there must be the further deduction I have mentioned for interest.

Hence if you take the profits of every trading, manufacturing and commercial business carried on by a firm or person in New Zealand which is making over £300 a year, and all the profits of all the companies assessed, and deduct from the whole excess the great periodic annual losses of those establishments which lose in any given year, and further deduct that portion of this excess which is really interest on capital and not profits at all, you will find that the final balance of profits so produced would, if distributed as increased wages among all those wage earners employed in every capacity by the persons, firms, or companies carrying on business in New Zealand (except of course, farming) leave these wage-earners but a very small increase, indeed, in their wages. Let it be also noted that the year's profits I have taken is a record—the largest that N.Z. has yet seen. The average would leave the average employee still worse off. But all this is a calculation upon a purely hypothetical basis. Any attempt to lay violent hands upon these profits for such a purpose would, of course, put an end to all business enterprise, and thus destroy the very source from which the profits are drawn.

EMPLOYERS NOT PARASITES.

Now it must be realised that business ability is itself an agent of production, and that the competent employer is himself a creator of wealth and not a mere parasite, as workers are often told, upon the productions of labour. The ability of the employer is a vital concern of the workers, for the workers have direct sources of loss in a bungling entrepreneur. Anyone genuinely desiring information on this topic may be referred to "Walker's Political Economy," or to "Mallock's Labour and the Popoular Welfare." Or if one desires the latest word to the last-mentioned writers, "Lectures on Socialism," delivered in America last year.

Admitting as any impartial man must that business ability is itself a producer, it still remains to decide whether on the figures I have given business ability in general seems to be overpaid in N.Z. It is not necessary for me to offer an opinion.

MORE WEALTH NEEDED.

I have not adduced these figures to show that the general level of the wages of labour cannot be raised. I think it can, but I wanted to clear the ground for a discussion of the means by which this end can be effected, and to demonstrate that unless more wealth is produced both by increased effort and co-operation on the part of both employers and employed, there is not much prospect of any marked rise in the general level of the workers' wages. Is there room for this increased effort and co-operation? Assuredly there is. Walker shows in the text book I have referred to what business ability can do both in saving waste and promotion of production and incidentally he establishes the fact that some of the worst enemies of the workers are the incapable and blundering employers. The average business ability of this country is high—the average industrial efficiency of the workers is high, as may be well inferred if only from the intelligence and physical stamina of our people.

But do the human agencies of production produce in service or commodities the fair and reasonable maximum of their capacities? I am certain they do not, and the one great desideratum now in N.Z. is some inducement, satisfactory to both the great agents—employer and workers—to establish and maintain that genuine co-operation which will produce the best results. I believe that desideratum can be at least largely supplied by an improved Arbitration Act.

Now, before I proceed to show this, let me ask you to recognise that our Arbitration Act has served, and must now serve, two purposes which are distinct. First it now discharges the function of a standard wage regulator. A kind of State Wages Board to which—and not to their employers—the workers in practice appeal to fix a fair wage. This appeal is not made to prevent a strike for there is rarely a genuine dispute, and the function of the tribunal has become that of saying what the State (as represented by the Court, or at any rate the president) thinks the standard wage should be.

The second function which the Act is asked to discharge is strike prevention by pains and penalties. I propose to consider the functions separately.

SAILING BY A DISTANT STAR.

1. What direction or guide does our present Act contain as to what should be the standard wage in the different callings? Absolutely none. Nowhere in the original Act or in any of its amendments is there any hint or reference as to what that wage should be. The Court itself has not as far as I know ever propounded any basis. One can see from looking along its career that it has sought to effect the readjustment which is essential to bring the methods and the shares of modern pro-

duction into closer and closer union with true social welfare. But this is sailing by a distant star often lost in haze. One general result of its award rates of wages fixed as a minimum has been to make that wage the standard—at once the minimum and the maximum—with such discouraging effects upon the workers as I have already fully indicated.

Now the Court must not and does not proceed by haphazard methods. What basis then for fixing wages has it mainly employed? Plainly not a competitive standard, for that would fix itself without the intervention of the Court by the market rate; and, moreover, the competitive standard was one which the Court was especially established to check. Equally plainly it cannot be a profit-sharing standard. This the Court has indeed expressly stated and declined, as it had to decline, to enter upon an inquiry as to the profits of all the employers as a basis of wages.

PROFIT-SHARING IMPRACTICABLE.

Profit-sharing, indeed, as a method of industrial remuneration has been found illusory and unsatisfactory. I cannot now enter upon its history, but even under a voluntary system, where employer and workers have mutually agreed to a basis, it has broken down in countless cases after fair trial. A system under which—

(a) The workers have no voice or control in the management;
(b) In which a worker may work much harder and produce more, and yet, owing to the management in which he has no share, the business makes a loss and all the worker's extra efforts go unrewarded;
(c) In which the industrial worker, however much or little he works, shares the profits but does not share the losses;
(d) In which the idler workers share profits along with the most industrious and skilful;
(e) In which there is no natural basis of division;
(f) In which, if the whole increase of the profits is due to the increase and excellence of the workers' efforts, the employer still takes his share, and vice versa, where it is the employer's business ability alone which makes the profit, the workers take their share—

A system under which these defects arise is doomed to failure.

These are but a few of the objections even where the profit-sharing system is based upon voluntary arrangement, but ask yourselves how enormously increased the difficulties and objections would be if a profit-sharing system was forced on employers by an Arbitration Court—forced on 200 or 300 employers all making different rates of profit in the same trade.

How could it be done?

It is impossible.

The essence of such success as it has had has been cordial co-operation between employers and employees, and yet except where the circumstances were special and both sides heartily united, it has been a failure. There are millions of business establishments in Great Britain and America, but how few have tried the system? To use the words of an article on this subject in the Encyclopedia of Social Reform—"Profit-sharing has been before the world fifty years. Largely tried, it has to-day only 108 firms in all the United States and Great Britain. Society demands a better remedy than that which has accomplished so little in fifty years, and that of doubtful good."

And Schloss—a most sympathetic investigator—declares that "the radical defect of a method of industrial remuneration under which the reward of the servant's labour is made contingent upon the good or bad management of the business by his employer, and upon the hazards of commercial fortune, renders it difficult to admit, even with a great degree of reserve, the claim of those novel arrangements to have established a substantial improvement in the ordinary wage system."

WANTED—A WAGE STANDARD.

What other wage standard, then, is open to the Arbitration Court? This brings us down to the bed-rock of the matter. Before I suggest the most satisfactory basis, let me impress this upon you. No standard that can be devised is at all a perfect one. It is a choice of the least inadequate, and to him who condemns the standard I now outline I would put this question—"What better can you propose?"

In my belief, if our compulsory arbitration system is now to continue, it must continue to be a wage regulator, and the best standard that can be devised for its guidance is, I think, a double, or rather a primary and a supplementary standard.

"A NEEDS STANDARD."

The primary standard should be "the needs of the worker," and when I suggest this standard I do not mean what the worker thinks to be his needs or what the employer thinks to be those needs, but the needs which society, through the Arbitration Court taking an enlightened view of the means available, of the worker's position and welfare, and of social interests, deems necessary or proper. This, as Hobson points out, is the rationale of the labour movement in its struggle for a "living" or a minimum wage. This claim is the primary step towards the substitution of a rational wage system based upon needs for the anarchic struggle of disordered competition, which only feigns to apportion pay according to individual productivity. A wage based on this standard is not a bare subsistence wage, but one which should allow for all those conventional decencies as are essential to a worker's self-respect. This can be fixed quite satisfactorily. (See for proof of this Ryan's valuable book on "A Living Wage.")

In fact, so far as Wellington awards are concerned this basis is constantly urged upon the Court as the proper

one, and is in fact if not professedly the basis of many of the awards made here and elsewhere. In the absence of any prescribed standard, it is the one the Court has more and more fully adopted—either expressly or inferentially. This standard is not stationary, but one which must increase as the general standard of comfort rises with increasing wealth and civilisation. Nor is a needs wage necessarily uniform for all trades and callings.

"A NEEDS WAGE" DIFFERS WITH THE WORK.

It has been well said that as we raise the character of the work we have to deal with a class of workers whose social efficiency demands continual progress in the development of his mental and moral and, it may be, his physical powers. The necessity of this development imposes more needs upon the worker, and social utility demands that these needs should be supplied with a higher needs wage—or in other words a higher grade worker should have a higher rate of pay than a low grade worker, because his needs, reasonably considered, are greater. In New Zealand the difficulty of fixing a needs wage is enhanced by the difference in cost of living in different industrial districts, but the settlement of these differences could be left to the Court. A perfectly adjusted living wage should look beyond the worker himself to his burdens and responsibilities, and on this basis married workers with a wife and young family dependent on them should receive a needs wage sufficient to maintain in decency himself, his wife and young children—especially since in rearing and bringing up a family such a worker is discharging one of the highest duties of citizenship. It is estimated that there are 96,000 married workers in New Zealand in all grades and classes of employment.

THE DANGER OF LEVELLING DOWN.

Now a needs wage is necessarily more or less uniform in the different trades, and this uniformity would produce the same discouragement of superior care, skill and industry as is found under the present conditions. It is idle to assume equality of industrial efficiency in the workers in all the different callings—inequality not equality is nature's rule, and any law which fails to give an incentive or encouragement to the exercise of superior efficiency causes a dead and heavy loss to the whole community. It causes, indeed, a double loss—first the loss of that additional wealth that would otherwise have been produced, and secondly in time the loss from non-exercise of the very superior efficiency itself.

We all know what freedom of opportunity has done for progressive people—we all see what the denial of it has done to those Eastern peoples still in the thrall of caste upon whom a miserable dead level is imposed by law or custom! Progress demands that extra care, skill and effort should have extra reward, or you will in time produce an industrial stagnation. It is worth some thought and trouble to even partly secure the one and avoid the other. I would ask the censorious to remember this.

WHY NOT AN "EXERTION WAGE?"

Now the needs wage should be supplemented by an "exertion wage." The expediency of recognising superior skill and greater energy has long been seen by employers in the old world, and has resulted in what is known as progressive wages. The system is as follows:—

(1) There is a fixed minimum wage.
(2) This is supplemented by a premium corresponding to industry and efficiency.
(3) The minimum wage is based upon the hours of employment, irrespective of the work done—in other words, the wage is for a day's work, not for the work of the day.
(4) Then a specified quantum of work is fixed corresponding to that amount of work done on the average in such day's work, and the worker gets an additional sum proportionate to the excess of the output over this standard as the reward for his extra effort or skill.

This principle in some form or other has been adopted in many cases in the Old World. It appears in at least three distinct forms: (1) The form I have just described; (2) the form in which each worker who exceeds the standard gets a premium fixed irrespective of the ratio of the excess to the standard. (For example, at Rheims wine-bottlers receive 5 francs a day, but if they bottle more, it does not matter how many or how few more, than a certain number (the standard) they get an additional franc a day.) (3) The third form of this system is a prize offered to a small number among the operatives who may within a given time produce the greatest output. This may be termed a prize day wage.

OBJECTIONS TO THE SYSTEM.

Now, I want to anticipate objections which are likely to be raised to this system. The practice of paying a premium or extra wage to one or a few operatives in order to force the pace of all is strongly condemned by trade unions. And from the glaring abuses of the system, rightly condemned. I need not delay to set out the objections to the class of "chasers," "runners," and "bell-horses" employed in different callings at a premium to be pace-makers for all. The oppressive tendency of this peculiar system has justified trade union opposition. But this system has never yet in the world, as far as I know, been tried under a Compulsory Arbitration Act with powers to prevent these abuses, and upon examination it will be found that its evils are due to the fact that the employer (in the absence of the controlling power of an Arbitration Act over him) has been able to use or rather abuse the system for his own profit.

GAIN-SHARING AN ALTERNATIVE.

But surely in the hands of an Arbitration Court seeking sincerely to apply it for the reasonable benefit of the workers, it can be made a most effective means of "gain sharing." It is suggested, therefore, that in addition to the needs wage to be now fixed as I have indicated, there should be a progressive wage based on "gain-sharing." This gain-sharing,(it will be observed, is sharing the gain or saving of the cost of production irrespective of the rate of profit realised by the employer, and is to be definitely distinguished from schemes of profit-sharing under which the amount of the bonus is dependent upon the realised profits (if any) of the businesses—an entirely different thing.

This scheme has been tried successfully in several great enterprises—tried, let it be remembered, in the absence of any State guarantee of fairness such as could be secured by the Arbitration Act. It was introduced in 1891 in the workshops of the Rand Drill Company at Sherbrooke, in Canada, by Mr F. A. Halsey. The essential features of Mr Halsey's plan consist in fixing on the basis of previous experience the time required to do a given piece of work, and offering the workman if he could get the job done in less than this standard time a premium for every hour saved in its execution. Mr Halsey took care to fix the standard time on the basis of what an average man and not a quick operative required for the performance of the job.

"NO CUTS OR REDUCTIONS."

Mr Halsey also urges that to cut down the scale after it has once been fixed on the ground that under it the workmen are earning too much is a fatal step. For, as he says, "If the premiums are cut down the workman will rightly understand it to mean (as under the piecework plan) that their earnings are not to be permitted to pass a certain limit, and that too much exertion is unsafe." This, of course, can be safely prevented when you have an Arbitration Court like ours. The settled objection of trade unions to piecework system and progressive wage systems is based upon the painful experience that periodic "cuts," or reductions in the rate or alterations in the standard, were made as the increased exertions of the workers under these systems secured for them better wages. This ground of objection can in New Zealand be entirely removed, or rather, prevented. Mr Halsey's system increases the exertion wage in proportion to the degree of additional effort required in the different callings to exceed the standard. What has been the result of Halsey's system? Let me state his own words (. am quoting from Schloss on "Methods of Industrial Remuneration," which is the latest information I have —

"WORKERS, INCREASE YOUR WAGES."

"Speaking broadly," he says, "I should say that the average increase of output due to the system has been from 25 to 35 per cent., and the proportion of premiums has been such as to make the increased earnings of the workman rather less than one-half of the saving of the employing company."

Thus it will be seen that if the workers had got the whole increase due to their additional exertion instead of dividing it with the company (as under Mr Halsey's system), workers on, says, 50s a week needs wage, would receive with their exertion wage from 62s 6d to 67s per week—a very substantial supplement.

A further illustration of another form of this exertion wage may be interesting and useful. Since 1891 until now, as far as I have been able to learn, there has been in force in the engine works of a large firm (Willans and Robinson, of Rugby and Thames, Ditton) a successful trial of the progressive wage or gain-sharing system. Their practice is as follows:—(1) In respect of all work done in their works a certain sum termed a "reference rate" is fixed. (2) If the amount earned on the job as ordinary time wages falls below the reference rate, then the balance (i.e., the difference between the actual cost in time wages and the reference rate) is divided equally between the employers and the workman or the group of workmen employed on the job. That is, the employees receive by way of bonus (in addition to their time wages) one-half of the amount by which the reference rate price exceeds the sum of these time wages. Of course the workmen receive their full time or needs wages in any case, even if they should amount to more than the reference rate.

It will be observed that here the employers take half the product of the extra exertion of the worker. That is not an essential part of the scheme, and the part the employers should take—if they should take any part at all—would in New Zealand be determined by the Arbitration Court.

A full report of all this, with illustrative details, appears in the English Labour Department reports on gain sharing, and in Schloss's very valuable book, to which I have referred, and from which I have largely extracted.

This scheme of Willans and Robinson makes a basic principle of keeping the reference rates—once fixed—unchanged; recognising, as it does, that any system of exertion wage to be successful must make the workman feel that if by increased exertion or skill or carefulness, or by discovering improved methods of work he can reduce the time necessary for the execution of the work confided to him, the rate of his exertion wage will not on that account be lowered.

Another point is that the workmen know before they start the work what the reference rate is, and what the rate of exertion wage is to be. Moreover, the exertion rate is to apply to each job separately, so that any loss on one is not to be taken into account against the workman in relation to future jobs. Lastly, the exertion wage, wherever pos-

sible, is to be paid regularly with the minimum, or (as I call it) needs wage.

INCENTIVE TO WORKMEN.

The general result of this scheme is to give the worker a special interest in his work and increase his wages without impairing the general excellence of his work.

To those who object that such a system involves complicated book-keeping, it is perhaps sufficient to reply that the firms in question did not find this so, and that any additional book-keeping it did involve was well worth the trouble as helping accruate cost keeping.

So far I have dealt with a system of individual gain-sharing—that is, of a progressive wage for the industrial worker. But in some cases this is impracticable, and a collective progressive wage has been in many cases tried successfully.

For instance, in a manufacturing industry. The "preparers" in a woollen yarn factory in some factories work in sets of four. Each of the workers in these groups of four receive a weekly wage. Then the output of each set of four is measured, and if it exceeds a specified standard the excess entitles the four workers to have divided among them a prescribed sum as an exertion wage.

Numerous instances could be given of this system. It has been employed with greatest success where machinery run by steam or other power is used by a group of operatives. In these cases it has been found possible for a set of workmen by diligence and by "working together" in a loyal and intelligent manner, and without in any way over-exciting themselves to increase their output and their earnings. But the system has not been confined to manufacturing industries: it has been successful in many others. Many illustrations with details are given in the works to which I have referred. In this system the exertion wage may be divided either (a) among all the members in equal shares, or (b) it may be divided in accordance with the importance of the services rendered by each member of the group. The nature of this division could be determined either by voluntary agreement between the men or by the Court, if necessary.

"EASILY WORKED IF YOU WANT TO."

Even exposed to all the difficulties and dangers incident to a system which is largely at the mercy of the employers, this system has produced excellent results. For example, the scheme of collective gain-sharing which was, and as far as I know is, in operation at the Thames Ironworks, is of particular interest by reason both of its peculiar features, and of the circumstances under which this system of progressive wages is applied. The plan adopted is that if the actual cost of the work in time wages comes to less than the standard labour cost, the group by which the work is done receives by way of bonus not a part, as is commonly the case, but the whole of the difference between the actual and the standard costs. The circumstances here under which this system was adopted were said to be as unfavourable to it as could be well imagined, for the requirement generally found essential to the success of the system is that of "repetition work," but here it was conspicuously absent. There is, indeed, infinite variety in the work done in this yard: the large size and complex character of a great part of the work done greatly added to the difficulty of fixing a satisfactory standard of the labour costs upon which the system is based, and yet it seems the system works or worked very well for both employers and men.

COLLECTIVE PROGRESSIVE WAGE.

Let me add a few words as to the cases in which the collective progressive wage is used instead of the individual progressive wage. In certain cases work is done by a number of men each working up to the other. In these cases it is often practically impossible to ascertain in what proportion each man has contributed to the joint output. Here the collective rather than the individual gain sharing is inevitable. I cannot occupy more time in explaining or exemplifying this gain sharing system in both its forms. Further information can be obtained in the English Labour Gazette in the Labour Department reports re gain sharing, or in Mr Schloss's book above referred to.

ABUSES AIMED AT.

Now, I wish to again remind Trades Unions that the objections which have been raised in Great Britain to different forms of this system have nearly all been objections to the abuses of the system, and not to the system itself: abuses which in the absence of any such control or compulsion as that provided by an Arbitration Court the selfishness of employers was mainly responsible for. If the system has been a pronounced success in so many cases in the absence of any tribunal to fix fair standards, surely it could achieve far wider success where a competent Court could not only fix the standards but maintain them, and prevent any abuses of the system.

WHAT DEGRADES LABOUR.

Let it be remembered that I am not seeking to introduce into the operations of the Act some unnecessary experiment. I hold it to be of paramount importance, not only to the workers and employers, but the whole community, that the workers should have some direct pecuniary interest in the product of their labour. To give all workers, fast or slow, careful or careless, the same wage, to offer no inducement whatever to the worker to take a real and lively interest in his work, to reduce wages to the same dead level whatever be the result of the wage earner's efforts or skill or care, really tends to degrade labour. It

tends to rob it of that living and wholesome interest, if not a love of the work, which can prevent the sense of drudgery and add even a pleasure to effort.

The system suggested cannot injure the workers. Under it they are secured the same minimum or needs wage as they now receive under the Court's awards, and assuming the standards are reasonably fixed by agreement between the employers and employees or by the Court, there is no reason why, without any over exertion the great bulk of the workers should not materially increase their wages. The employers could have no reason to complain, for the system only provides that the worker's additional wage is to be paid out of the additional production of their labour.

I believe that in a great many industries and trades this system, either of individual gain sharing or collective gain sharing, could be applied, especially if it received the support and co-operation of the Labour Unions. But seeing the main motive for proposing it is the benefit of the workers, and seeing that the unions may object to have it thrust on them, I should provide that it was to be prescribed by the Court only in such cases as the unions desired. If it offers them an escape from the dead level wage of which they complain and they reject it their rejection may not "damn the piece but it certainly damns the critic."

I claim for the proposal that it is a method of producing more wealth for the direct benefit of the workers, and thus indirectly for the benefit of the whole community.

"GOVERNMENT NOT COMMITTED."

Before I leave this part of my address, I want to make this quite clear. The Prime Minister in an important speech he delivered recently at Onehunga dealt with necessary amendments of the Arbitration Act, and strongly expressed the opinion that some system of progressive wage should be adopted by the Court. I know that he has given this topic very anxious thought, but what I have said to-night must not be taken as committing the Government to the schemes I have outlined. I desire it to be understood that I have done no more than explain views and material which are having the closest attention of the Government.

STRIKE PUNISHMENT.

Time presses me, and I must greatly condense my last topic—the compulsory prevention or punishment of strikes. The attitude of the State to strikes has undergone a curious change, and as it is the social aspect of a strike, and that aspect only, which warrants the interference of the State, the change I have referred to is instructive. Let me trace it:—

1. Originally in England the organisation of workers by means of combinations in restraint of trade (as it was called) was illegal and a penal offence.

2. Even under the Act of 1825 some judges held all strikes were unlawful and punishable as a conspiracy.

3. In England to-day a strike, even if it involves a breach of contract, is not illegal, save in a few cases.

4. When the legality of a strike was clearly established the State first treated it as essentially a matter between employer and workman, calling for no intervention.

5. In 1875, however, England passed a law which in effect provides punishment with fine or imprisonment for any strike in breach of contract where the workers in gas or water works know that by their leaving work they will deprive consumers, wholly or in part, of their supply—and this law also extends to those whose leaving work may endanger life—cause probable injury to other persons, or expose property to destruction.

6. This law (although the Act does not expressly name strikes) proceeds on the basis that where a strike, in breach of contract, causes directly the risks, injuries and losses to the public I have mentioned, it is a penal offence, and no longer merely a matter between employer and workman. This is the true justification for the State's interference.

7. As regards other strikes, England has made no other provision than the Conciliation Act, 1896, superseding earlier enactments. This merely provides for conciliation when the parties desire it.

CONTEMPORARY LEGISLATION.

8. In other parts of the British Empire the State has more actively interfered, and legislation has gone along three separate lines, which are as follow:—

(a) That of providing no prohibition against strikes or lock-outs, but merely providing for the fixing of a minimum wage for the several trades, as in the Victorian Act of 1896. There is no law against strikes or lock-outs in Victoria.

(b) The second line is that of making strikes illegal until the Court of Compulsory Arbitration has heard and decided the dispute. Then there may be either a strike or lock-out. This was our law when the Act of 1905 was passed. It is the law in Canada to-day, under their Act of 1907, except that if there the workmen agree in writing to be bound by the award a strike thereafter is illegal, and punishable with fine or imprisonment.

(c) The third line is that of directly penalising strikes made before or after an award. This is the law in New South Wales. It is also in effect the Commonwealth statute, and that of the Western Australian Statute, and those of other States.

SOME STRIKES PENAL.

None of this legislation confines itself to the English system of distinguishing between strikes that directly cause great damage or privation to the people and

those which do not. Yet no doubt, this is the true principle. There is, for instance, a very strong reason why the night suppliers, or water suppliers, or milk suppliers, of a great city, who strike, knowing that their action will endanger the life, health, or safety of the whole community, should be held guilty of a penal offence—but the same considerations scarcely apply, for instance, to aerated water makers or brewery hands. In the former case of the milk suppliers, few reasonable men would deny that a strike, with a knowledge of its cruel results, should be considered a disgraceful act, and a penal offence, especially with a Court open to the men—while in the latter case of the brewery hands, as the strikers would feel that nobody would suffer more than a little inconvenience—the offence of striking has no such gravity.

The view however, is extending that all strikes inflict some loss upon the community—that they are a breach of that implied understanding between the great interdependent classes that if one class will do its part the other classes will do theirs. Strikes are in this aspect a desertion of duty. They are, moreover, a breach of industrial peace, and just as private assault involves both the individuals concerned and the State, so with strikes—they now partake of both a civil and penal character.

As regards the penalty for striking, I gave full reasons at Wanganui for objecting to imprisonment, except, of course, in such extreme cases as those made penal by the English Act of 1875, and I need not repeat my argument here. It is curious to observe that in the evolution of this compulsory arbitration in the different Australian States and perhaps in New Zealand, the more numerous and defiant the strikes and strikers the more and more stringent has the law been made against them. It is sufficient to take for illustration New South Wales. The result of the irritating defiant and numerous strikes there has been to finally place upon the statute book the most penal and drastic strike prevention law in existence.

AN APPEAL TO MODERATION.

Let me close this long address with these few observations. It should be the aim of every country to prevent strikes, not by severe pains and penalties, but by providing if it be possible such conditions of labour, and such a fair, prompt and competent tribunal as will secure to the workers all they can ever reasonably hope to attain by a resort to the blind force of a strike. This we are trying to provide, but no such provision can achieve its purpose if it has to encounter invincible prejudice or irrational antagonism. Its best hope lies in enlisting for a fair trial the moderation, intelligence and enlightened self-interest of the great body of the workers themselves.

And not only the best hope of the Act, but the best hope of this country as a whole lies in that same moderation and intelligence.

The majority on our electoral rolls consist of men and women receiving (not on an average, but individually) £150 or less per annum, including in such majority the wives of such male workers. In their hands the destinies of this Dominion lie, and in my judgment our destinies could not be safer. For the sanity, the fairness and the industry of the great body of our workers is not to be judged by the silly demands and violent designs of a noisy few, since one might as well doubt the general sobriety of our whole people because a few are given to intemperance. We must not confound noise with numbers, as we are apt to do owing to widespread publicity the press gives to the vehemence of every little knot of discontents.

A TRIBUTE TO THE WORKERS.

We have in New Zealand a democracy of workers, the level of whose intelligence, ability and material comfort is higher than anywhere else in the world. Their intelligence is this country's best security. They will demand progress and they will enforce it, but it will be a progress along safe lines. They can distinguish an appeal to reason from an appeal to passion, and will always enlist under those who promise prudent guidance to steadily bettering conditions rather than under those self-appointed deliverers who seek their miraculous emancipation from an imaginary bondage.

THE LAND QUESTION.

Concluding, Dr. Findlay said that the audience would note that he had confined himself to the workers and the employers in industrial pursuits. He recognised that a proper corollary to his address would be to show the bearing of the land question upon the wages question. But this would require separate and even longer treatment, and must be left for a future occasion.

VOTE OF CONFIDENCE

THE GOVERNMENT COMPETENT.

Mr E. Arnold moved the following resolution, which was seconded by Mr E. G. Hicks and adopted with enthusiasm:—

That the members of the Wellington District Branch of the Liberal and Labour Federation of New Zealand sincerely thank the Hon. Dr J. G. Findlay for his presence amongst them this evening. They also desire to record their appreciation of his able and interesting address upon the industrial problems of the day; and further, to express their conviction that the present Government is in every respect competent to frame and pass all such measures of social reform as are at present realisable in New Zealand. In that conviction they would assure Dr Findlay of their confidence in him and his fellow members of the Ministry.